ETSA

21 May 2025

ETSA's Recommendations on Omnibus Simplification for CSRD and CSDDD Implementation: Bridging the Interests of Large Companies as well as Wave 2 and 3 Companies.

Introduction

Following the Omnibus proposal published on the 26th February 2025 to provide substantial simplification in the field of sustainability and EU investment programmes, ETSA (the European Textile Services Association) constituted by large companies and National Associations in the textile service sector, would like to share some important recommendations to alleviate the administrative burden for businesses and provide a fertile ground for them to become more sustainable while maintaining competitiveness.

For this reason, the following analysis has been structured in 3 parts:

1) The impact of Omnibus Regulation on Large Companies
2) The impact of Omnibus Regulation on Wave 2-3 Companies and SMEs
3) ETSA's recommendations for key EU representatives & stakeholders

1. The impact of Omnibus Regulation and Large Companies

Omnibus & CSRD

Large companies within ETSA acknowledge the Corporate Sustainability Reporting Directive (CSRD) and related legislation, particularly:

a) Double Materiality Assessments

ETSA recognizes the preservation of the double materiality assessment, as it can provide a meaningful and forward-looking framework to identify both short and long-term risks as well as opportunities. At the same time, companies should be able to safeguard the significant time and resources many have already invested in complying with CSRD requirements. There is now an urgent need for clarity and pragmatism—particularly regarding expectations for the number of material IROs, setting of targets, and how to apply simplified approaches that reduce the audit burden without compromising the quality of disclosures.

ETSA therefore welcomes the 2 year postponement for wave 2 and 3 companies as well as the one year the transposition deadline and the first phase of the application (covering the largest companies) of the Corporate Sustainability Due Diligence, as per the recent "stop the clock" mechanism. Moreover, the thresholds that determine the reporting obligation under CSRD should be raised to better align with the capacities of medium-sized companies. Moreover, the

expectations and criteria for double materiality assessments should be scaled so as to be proportionate to the size of company. These assessments should acknowledge that some companies operate with smaller teams, lower turnover, and limited resources, and can therefore serve as opportunities to provide targeted support and capacity-building, rather than imposing undue burdens.

b) Reducing Costs under CSRD: audits and assurance requirements

A major portion of compliance costs under CSRD stems from the limited assurance requirement. While external validation is crucial for maintaining credibility, the associated costs can be significant, particularly for companies who do business in a multitude of European and non-European markets and even more so, for SMEs. Efforts should be made to reduce these expenses and simplify the limited assurance process, allowing companies to allocate more resources towards "*meaningful sustainability initiatives*" rather than further administrative expenditures..

In most Member States, third-party verifiers are also statutory auditors, and the market for assurance is not fluid. In practice, few audit firms outside of the statutory auditor are willing to take on CSRD assurance, often due to conflicts with their consultancy activities. This lack of competition leaves companies effectively captive to the fees and expectations of their existing auditors. As such, reducing the scope and complexity of the ESRS becomes even more critical, as simpler reports can lower audit hours and help contain assurance costs in a constrained verification market.

For large companies there is a need for a more logical and integrated approach that allows them to include voluntary information and present their Group-wide CSR strategy within the CSRD framework. Currently, companies are often forced to produce a second, parallel CSR report to communicate key messages to investors and customers, leading to duplicated effort, higher costs, and increased resource burdens. This fragmentation is unsustainable and undermines the purpose of strategic, transparent sustainability reporting.

Lastly, SMEs will not be subject to limited assurance under the revised Omnibus Regulation and the voluntary SME standards (VSME) currently require only a completeness check, not verification of factual accuracy which ETSA warmly welcomes.

c) Streamlining and Harmonizing CSRD Data Points

The number of required data points under CSRD should be reduced to streamline reporting. This can be achieved by:

- To streamline the framework, it is essential to eliminate indicators that lack a clear reporting methodology, are not relevant to specific industries, or impose disproportionate reporting burdens. This includes indicators that require complex or ill-defined data—such as product lifespan comparisons against market averages—where measurement, definition, and data collection are impractical. Furthermore, while methodologies assessing climate resilience may be phased in gradually with clear

definitions and practical timelines, financial impact assessments should be excluded due to their sensitivity, lack of consistent methodologies, and challenges in ensuring comparability across sectors. The climate risk assessment under E1 for physical and transitional climate-related risks, for example, presents significant challenges due to its qualitative nature and the absence of standardized methodologies. Making such disclosures voluntary or eliminating them altogether would align with the Omnibus objective of simplifying reporting, focusing on measurable, quantitative data rather than subjective or narrative-driven information.

- Consider eliminating sector-specific ESRS. Harmonization with existing frameworks such as GRI has already been largely achieved through the ESRS structure. Maintaining a unified, cross-sectoral standard supports consistency and helps avoid unnecessary duplication or complexity.
- Introduce thresholds for the exclusion of business locations with negligible impact on overall group performance from data collection and reporting obligations. These thresholds could be based on a site's share of total headcount or revenue. Exempting such locations would significantly reduce administrative burden without materially affecting disclosure quality.
- Creating options in reporting. If a topic is material, it may make sense to report on 2 out of 3 material indicators rather than all of them.
- Emphasis on streamlining should ensure comparability within one sector and with competitive sectors to maintain an informed market. For example, using standardized emission factors for certain emission categories from a common source such as DEFRA[1], or providing clearer guidance in ESRS E2 [2]on how to calculate substances of concern or microplastics, would help ensure consistent and comparable reporting.

Avoid crucial mismatch: many apply traditional financial audit methodologies to sustainability reporting, often without sufficient CSR-specific expertise. This mismatch increases audit demands and disregards the value of existing CSR audit practices. Aligning audit expectations with the nature of sustainability reporting is essential to avoid unnecessary complexity and ensure the process remains credible, relevant, and efficient. For example, audits should focus on the plausibility of evolving data points and the alignment of disclosures with business strategy, rather than detail-oriented data checks that offer little added value, such as requiring justification when the reported number of employees deviates by just one. Lastly, The number of required data points under CSRD should be reduced by eliminating indicators that:

- require costly physical measurements across dispersed sites, especially when the added value is limited (e.g. detailed waste data vs. essential energy reporting).

[1] Department for Energy Security and Net Zero. *Greenhouse Gas Reporting: Conversion Factors 2024*. GOV.UK, 30 Oct. 2024,
[2] European Financial Reporting Advisory Group. *ESRS E2 Pollution*. EFRAG, 2023,

- Change some “shall” requirements to “may” to provide guidance without imposing rigid obligations.

- Allow voluntary disclosures on any topic to support market alignment and best practices, while offering flexibility to companies.
- Scope 3 emissions reporting presents a particularly high administrative burden due to the difficulty of obtaining reliable third-party data and the complex nature of value chain interactions. ETSA strongly supports the simplification of Scope 3 disclosure requirements, and recommends that expectations be aligned with practical data availability and sector-specific limitations. Overly prescriptive requirements risk undermining both accuracy and comparability, particularly for decentralized or service-heavy industries.
- To safeguard strategic carbon accounting information, disclosures of this nature should only be required if deemed material.

d). Taxonomy reporting

Large companies within ETSA support the overarching goals of the Clean Industrial Deal and the proposed provisions in CSRD to create a derogation for companies with more than 1,000 employees and a turnover below EUR 450 million, making the reporting of Taxonomy voluntary for those companies and under certain threshold.

- In addition, it is recommended to put a stronger emphasis on transition finance by introducing the option of reporting on partial Taxonomy-alignment.

- ETSA members support the simplification of reporting templates for taxonomy, as a clearer structure can reduce internal resource demands and enable companies to focus more on sustainability actions than pure compliance. However, a significant portion of the burden stems not from the templates themselves but from auditors' expectations and approaches.
- ETSA supports making EU Taxonomy reporting voluntary, at least until there is greater uniformity and standardization in methodology and expectations. In particular, we recommend allowing companies with less than 10% of turnover linked to Taxonomy-eligible activities to opt out of mandatory reporting across all categories turnover, CapEx, and OpEx.

- Recommend removing unclear or overly complex data points, such as those requiring vague assessments of business resilience regarding material risks and opportunities.

B) Corporate Sustainability Due Diligence Directive (CSDDD)

Support for a 5-Year Corporate Sustainability Due Diligence Directive (CSDDD) Cycle: Moving to a 5-year cycle instead of an annual one is beneficial given the long-term nature of the required actions. Since CSRD reporting remains annual, companies will continue working on due diligence but with reduced burden on both partners and internal teams, avoiding unnecessary annual full-scale reviews.

Part 2: The impact of Omnibus on Wave 2 and 3 Companies, as well as SMEs

- **Wave 2 and 3 Companies**

From an industry perspective, while Wave 2 and 3 companies now fall under the same thresholds as large companies (i.e. 1,000 employees and financial criteria), many of them still lack the internal resources, technical expertise, and infrastructure necessary for full compliance. Policymakers should recognize that legal size does not always translate into operational capacity, and tailored implementation support may still be required.

- **CSRD and SMEs**

ETSA welcomes the new simplifications measures brought by the OMNIBUS Regulation on 26th February for SMEs for which the Commission adopted a delegated act. In particular ETSA welcomes:

- The support for CSDDD Simplifications: We strongly advocate for the proposed extension of the assessment and update cycle from one year to five years, recognizing that due diligence actions require time to be effectively implemented and monitored.
- The streamlining stakeholder engagement obligations, which will help ensure a more efficient and focused due diligence process. Furthermore, we welcome the removal of the mandatory termination of business relationships as a last-resort measure.
- The need to further reduce the trickle-down effect by limiting the information requests that companies within the scope of CSDDD can impose on SMEs and small midcap business partners (i.e., companies with fewer than 500 employees). The information required should be restricted to what is specified in the CSRD voluntary sustainability reporting standards (VSME standard) unless companies can demonstrate a justified need for additional data that cannot be obtained through other reasonable means.

b) Protection from Excessive Data Requests

Due to the trickle-down effect, SMEs are increasingly receiving requests for sustainability data that large companies need to prepare their CSRD reports.

ETSA supports the Commission's proposal to limit the information that companies can request from SMEs using the VSME standard as a boundary. The main relief this provides is its function as a stop-gap measure, helping SMEs respond to increasingly complex and voluminous data requests from upstream business partners.

c) Simplifying Double Materiality and Reporting Thresholds

SMEs appreciate the introduction of the voluntary SME Standard (VSME) draft as it helps reduce their administrative burden.

d) Corporate Sustainability Due Diligence Directive (CSDDD)

We support these simplifications, including:

Prolonging the intervals between two regular periodic assessments and updates from one year to 5 years, while clarifying that a company needs to assess the implementation of its due diligence measures and update them whenever there are reasonable grounds to believe that the measures are no longer adequate or effective.

Reducing the trickle-down effect further by limiting the information that companies within scope may request from their SME and small midcap business partners (i.e. companies with not more than 500 employees) to the information specified in the CSRD voluntary sustainability reporting standards (VSME standard).

Part 3: ETSA Recommendations

Harmonizing legislation & Regulatory Stability

- Align reporting obligations across CSRD, CSDDD, and Taxonomy to prevent redundancies and inconsistencies. Regulatory certainty is essential. Businesses must be able to rely on the continuity of legal frameworks to plan long-term investments. Complex legislation like CSRD should not be adopted hastily; a longer lead time between adoption and enforcement would allow the EU and Member States to put in place practical support mechanisms.
- Avoid legislative overlaps. In particular, ETSA recommends that both the EU Deforestation Regulation (EUDR) and the Green Claims Directive be reconsidered in parallel with the Omnibus Regulation. Their current form risks creating duplicative and conflicting obligations that distract from core sustainability goals.
- Double Materiality Assessments as an important and efficient tool to prioritize the most material impacts and risks a company should focus on, to stay economically relevant in the future, with close attention to the size of the company (SMEs exempted).
- **Recommendation:** Clarity on how to apply materiality at the data point level and reduce assurances costs. Each data point must be assessed individually for relevance,

with greater flexibility and clearer guidance on how to justify exclusions—especially for data points that add limited value or are overly complex to implement.

Ensuring Fair and Proportionate Treatment for SMEs

- Introduce guidelines to ensure proportionality in reporting for SMEs within the new Omnibus framework and delegated act.
- Extension of the assessment from 1-5 years for CDDD: we welcome the proposed extension of the assessment and update cycle from one year to five years, recognizing that due diligence actions require time to be effectively implemented and monitored

Conclusion

ETSA supports meaningful simplification efforts that reduce unnecessary administrative burdens while maintaining corporate sustainability initiatives. Central to these efforts is the reduction of mandatory data points under CSRD and simplifying those which remain, this is the most effective way to relieve resource pressure and enable companies to focus on achieving real sustainability impact. Our recommendations ensure a balanced approach that serves both large and small businesses in the textile services industry, an industry which is an essential to Europe's transition to a circular economy and economic, societal, and structural well-being.